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W. T. GRANT COMPANY
ANNUAL REPORT
1944

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1944

W. T. GRANT COMPANY
ANNUAL REPORT
1944 Fiscal Year

To be submitted to the
Meeting of Stockholders
April 17, 1945
1441 Broadway, New York 18, N. Y.

BOARD OF DIRECTORS

William T. Grant, *Chairman*

John G. Byler

John M. Hancock

Joseph W. Chinn

Ward Melville

Howland S. Davis

James L. O'Neill

Raymond H. Fogler

Robert R. Updegraff

Clayton E. Freeman

William B. Warner

OFFICERS

William T. Grant, *Chairman of the Board*

Raymond H. Fogler, *President and General Manager*

Louis C. Lustenberger, *Vice-President*

John B. Boyle, *Vice-President*

Herbert K. Garges, *Vice-President*

Edward Staley, *Vice-President*

John G. Byler, *Vice-President and Treasurer*

Robert A. Seidel, *Vice-President and Comptroller*

George I. Mason, *Secretary*

M. F. Ketz, *Assistant Comptroller*

Executive Office

1441 Broadway, New York, N. Y.

Transfer Agent

Guaranty Trust Company
of New York

Registrar

Bankers Trust Company
New York, N. Y.

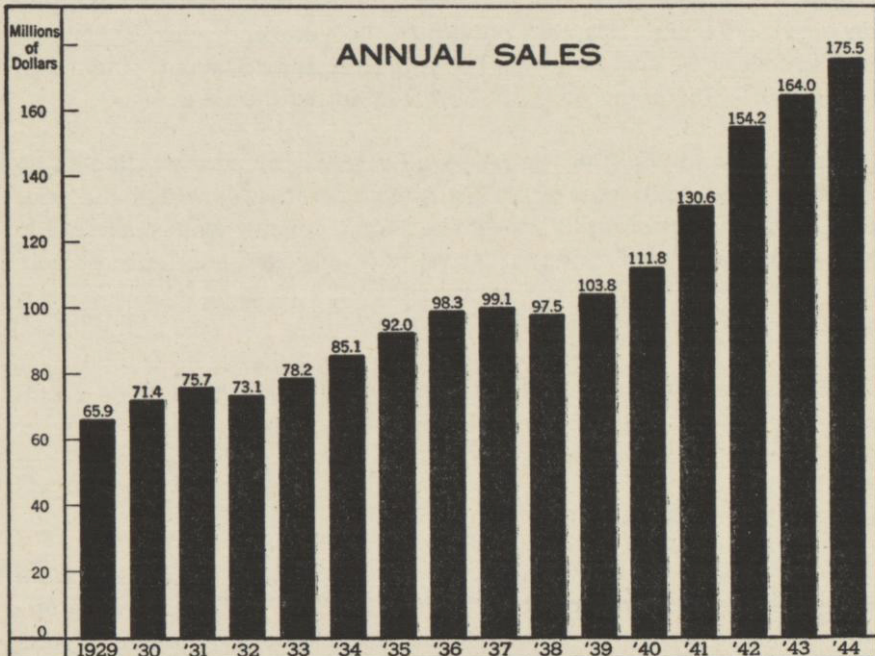
New York, N. Y., March 26, 1945

To the Stockholders of the W. T. Grant Company:

This Annual Report contains the Consolidated Balance Sheet, Profit and Loss, and Surplus Statements for the fiscal year ending January 31, 1945.

Results of the Year

Sales for the year were \$175,460,824, exceeding the sales of any previous year in the history of the company. The increase in sales was \$11,477,507 so that sales were 7% greater than the sales of \$163,983,317 in the previous year. The increase in sales occurred principally in the latter half of the year. The largest increases were in departments where merchandise shortages were least acute. Geographically, the Southern and Pacific Coast stores showed the largest sales increase.



Earnings before taxes were \$14,811,069 as compared with \$10,406,345 in the previous year an increase of \$4,404,724 or 42%. Federal taxes took \$4,123,000 of this increase. Federal Income and Excess Profits Taxes are estimated to be \$10,719,000, which equals 6.1% of sales and 72.4% of profit before taxes. This amount does not include \$931,000 of Excess Profits Taxes which will be refunded to the company after the close of the war.

Net earnings for the year were \$4,092,069, an increase of \$281,724 over the \$3,810,345 earned in the previous year. After full dividends on the preferred stock, earnings were equivalent to \$3.14 per share on the common stock which compares with \$2.91 in the previous year. During 1944 dividends of \$1.40 per share were paid on the common stock.

On January 31, 1945 current assets were \$39,830,229 including \$17,028,996 cash, and current liabilities were \$12,471,542. These amounts are net after deducting the \$11,029,759 redemption value of United States Tax Notes which were purchased to keep the federal tax liability on a current basis. Working capital at the year end was \$27,358,687, an increase of \$2,669,281 during the year. Surplus at the end of the year was \$26,050,375, an increase of \$2,078,143 during the year.

At the end of the year merchandise inventories (including \$3,144,072 in transit) were \$21,707,697, which compares with inventories of \$24,132,446 a year ago. The end of year inventory was considerably lower than had been planned. There is a very real shortage of desirable merchandise. It is the company policy to keep stocks of war substitute goods at a minimum.

At the end of the year 490 stores were in operation, three stores having been closed permanently during the year.

Organization and Personnel

Total wages and compensation paid employees for the year were \$24,540,081, an increase of \$450,772 over 1943. Fewer people were employed due to manpower shortages, and the increase in dollars of compensation is a result of increased productivity of the personnel.

During 1944 the number of employees in military service increased to 1272 which includes 103 women. 166 of these are former store managers. The company now has 47 stores being managed by women.

During the year Robert A. Seidel, Comptroller, and Herbert K. Garges, Atlanta Regional Manager, were elected Vice Presidents of the company.

At the Directors' Meeting on March 5, 1945, Ward Melville, President of Melville Shoe Corporation, was elected to fill an existing vacancy on the Board of Directors.

Our employees continued active in the sale of War Savings Bonds and Stamps. During the year the sales of stamps and Series E Bonds exceeded \$7,000,000, while total bond sales, not including company purchases, exceeded \$25,000,000.

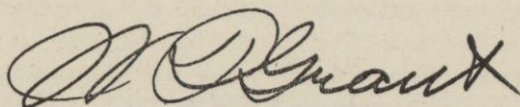
Government Regulation

In the report last year, reference was made to the litigation between the company and the Office of Price Administration relative to the "highest price line limitation" provision of Maximum Price Regulation 330. The extension of the Price Control Act by Congress during the year included provisions prohibiting highest price line restrictions on retailers and subsequently the company's position was upheld by the U. S. District Court and the complaint against the company was dismissed. This preserves for the company the right to distribute all available merchandise at prices which are in accord with existing price regulations.

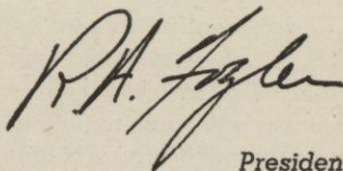
Future Outlook

Current sales are substantially higher than in the corresponding month of 1944 while inventories continue lower than last year. As long as the war lasts, the requirements of the armed forces will limit materially the manpower and materials available for production of civilian goods. During the past year, civilian shortages have grown increasingly more acute. Upon the cessation of hostilities in Europe, some improvement in the amount of merchandise available for civilians is anticipated.

The company continues to plan for the post war period. During the year a store location was acquired on Market Street, Philadelphia, which will be larger than any existing Grant store. A number of other locations have been purchased or leased for new stores or the enlargement of existing stores at the end of the war when merchandise becomes available and restrictions on new construction are removed. It is to be hoped that war time tax rates will be lowered promptly at the end of the war so that the new investments in those stores, which will furnish additional employment, can be justified by benefits to the stockholders.

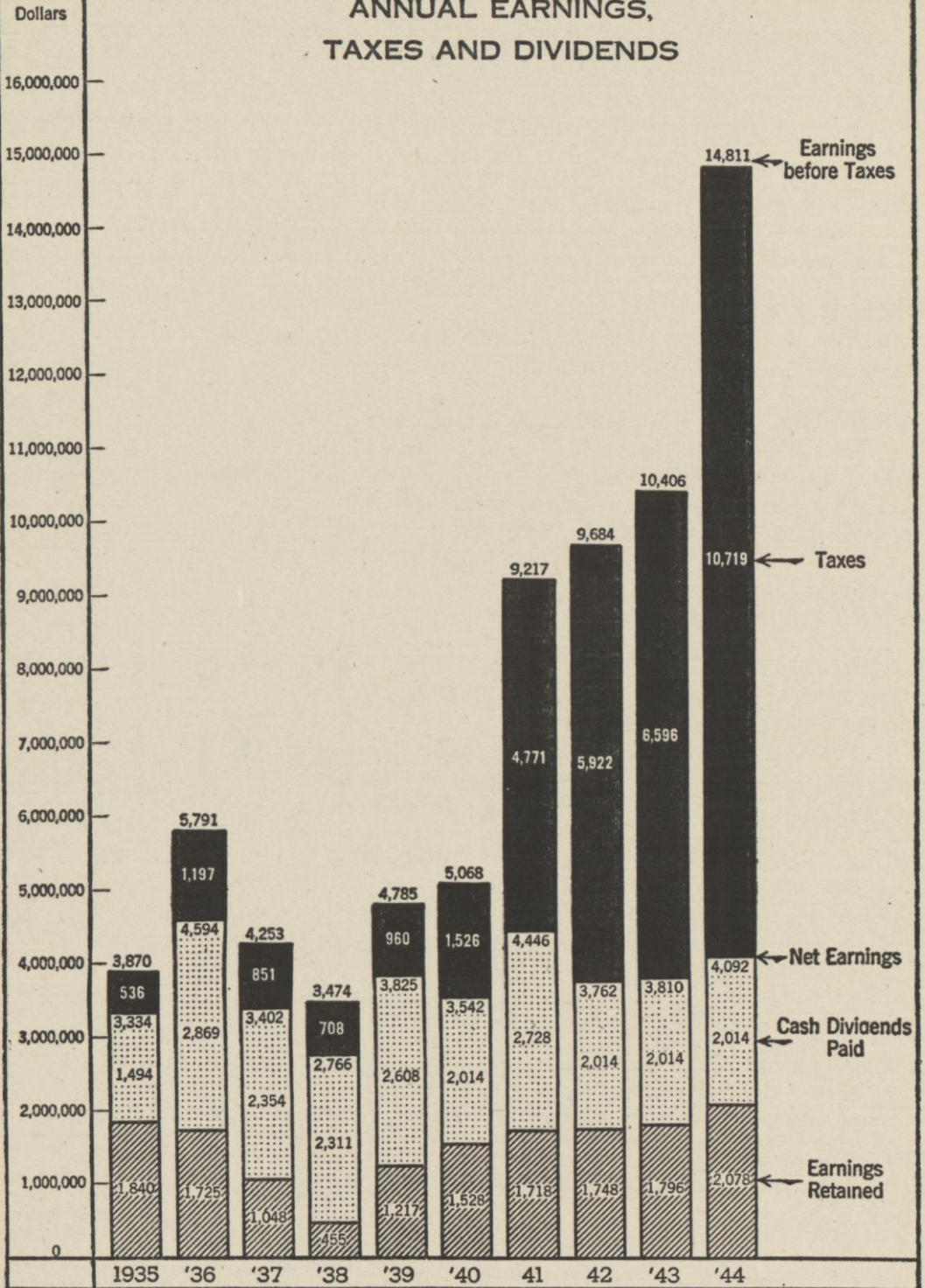
A handwritten signature in cursive script, appearing to read "W. D. Grant".

Chairman of the Board of Directors

A handwritten signature in cursive script, appearing to read "R. A. Fyler".

President

ANNUAL EARNINGS, TAXES AND DIVIDENDS



W. T. GRANT
AND SUBSIDIARIES
CONSOLIDATED
January 31, 1946

ASSETS

CURRENT ASSETS

Cash	\$17,028,996	
United States Government Securities—at redemption value	258,647	
United States War Savings Stamps (for resale)—at cost	38,459	
Accounts receivable, claims, etc.	796,430	
Merchandise inventories, including merchandise in transit—\$3,144,072 (at not in excess of the lower of cost or market)	<u>21,707,697</u>	\$39,830,229

OTHER ASSETS

Cash surrender value of life insurance	\$ 1,783,598	
Refundable portion (post-war) of federal excess profits tax — estimated	1,854,000	
Advances to and security deposited with landlords—to be repaid over a term of years	286,818	
Real estate mortgage receivable	60,000	
Sundry accounts and investments; funds in closed banks and restricted balances (less reserve of \$10,798)	<u>28,371</u>	4,012,787

STORE PROPERTIES, FIXTURES AND IMPROVEMENTS

(At Cost)		
Land	\$ 7,151,768	
Buildings	\$3,797,873	
Less reserve for depreciation	<u>1,375,373</u>	2,422,500
Furniture and fixtures	\$8,126,374	
Less reserve for depreciation	<u>4,337,425</u>	3,788,949
Alterations and improvements to leased properties (this amount is being amortized over a period not in excess of the term of the leases involved)	<u>5,327,659</u>	18,690,876

DEFERRED CHARGES

Prepaid taxes, rents and insurance, supplies, etc.		1,757,381
		<u>\$64,291,273</u>

NOTE:—The subsidiary, W. T. Grant Realty Corporation, is continuing operations of the subsidiary or assumed by it covering four store properties subsequent to the date of acquisition. There are no other contingent liabilities except those indicated.

COMPANY
RY COMPANY
BALANCE SHEET
31, 1945

LIABILITIES

CURRENT LIABILITIES

Accounts payable, including liability for merchandise in transit	\$ 9,550,355		
Real estate mortgages and mortgage bonds payable within one year	157,333		
Accrued accounts	1,716,123		
Federal taxes on income — estimated	\$12,077,490		
Less United States Tax Notes, at redemption value, purchased for payment of such taxes when due	11,029,759	1,047,731	\$12,471,542

DEFERRED LIABILITIES

Real estate mortgages and mortgage bonds payable 1946 to 1964	\$ 6,003,551		
Tenants' deposits under leases	34,199		6,037,750

RESERVES

For repainting stores	\$ 408,663		
For taxes or other contingencies	369,903		
For flood losses	82,835		861,401

CAPITAL STOCK AND SURPLUS

Capital stock:			
5% Cumulative Preferred — par value \$20.00 per share, redeemable at \$22.00 per share:			
Authorized 400,000 shares;			
issued—350,138½ shares (including 1,305¼ shares in treasury)	\$ 6,976,665		
Common — par value \$10.00 per share:			
Authorized 1,500,000 shares;			
issued—1,190,554 shares (including 1,200 shares in treasury)	11,893,540	\$18,870,205	
Surplus (of which \$15,295,784 was earned prior to formation of the parent company on November 27, 1937, and \$10,754,591 was earned subsequently)	26,050,375		44,920,580
			<u>\$64,291,273</u>

ntly liable on mortgages, aggregating \$424,459 at date of sale, created sold subject thereto and now under lease to W. T. Grant Company. to the normal course of the companies' business.

W. T. GRANT COMPANY

AND SUBSIDIARY COMPANY

CONSOLIDATED PROFIT AND LOSS STATEMENT

Fiscal Year Ended January 31, 1945

SALES			\$175,460,824
COST OF MERCHANDISE SOLD AND OPERATING EXPENSES			<u>158,562,535</u>
			\$ 16,898,289
OTHER DEDUCTIONS, less sundry income of \$32,679			<u>313,773</u>
			\$ 16,584,516
DEDUCT:			
Provision for depreciation and amortization of leasehold improvements	\$1,669,884		
Interest paid, less interest earned of \$78,925	<u>103,563</u>		<u>1,773,447</u>
			\$ 14,811,069
PROFIT BEFORE FEDERAL TAXES ON INCOME			
Provision for federal income taxes	\$2,197,000		
Provision for federal excess profits taxes \$9,453,000			
Less refundable portion (post-war)	<u>931,000</u>	<u>8,522,000</u>	<u>10,719,000</u>
NET PROFIT FOR YEAR			<u>\$ 4,092,069</u>

CONSOLIDATED SURPLUS

Fiscal Year Ended January 31, 1945

BALANCE at February 1, 1944			\$ 23,972,232
ADD:			
Net profit for year			<u>4,092,069</u>
			\$ 28,064,301
DEDUCT:			
Cash Dividends:			
On 5% Cumulative Preferred Stock — \$20.00 par value:			
Four quarterly dividends of 25¢ each, aggregating \$1.00 per share		\$ 348,830	
On Common Stock — \$10.00 par value:			
Four quarterly dividends of 35¢ each, aggregating \$1.40 per share		<u>1,665,096</u>	
TOTAL DIVIDENDS			<u>2,013,926</u>
BALANCE at January 31, 1945			<u>\$ 26,050,375</u>

AUDITORS' REPORT

To the Board of Directors,
W. T. Grant Company,
New York, N. Y.

We have examined the consolidated balance sheet of W. T. Grant Company and its subsidiary as of January 31, 1945, and the consolidated statements of profit and loss and surplus of this Company and its subsidiary for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of profit and loss and surplus present fairly the position of W. T. Grant Company and its subsidiary at January 31, 1945, and the results of the operations of the Company and its subsidiary for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST

New York, N. Y.
March 26, 1945.

W. T. GRANT COMPANY

COMPARATIVE CONSOLIDATED INCOME ACCOUNTS

FISCAL YEAR

(Which ends January 31 of subsequent calendar year)

	1944	1943	1942	1941	1940
SALES	\$175,460,824	\$163,983,317	\$154,204,453	\$130,555,907	\$111,774,965
LESS: Cost of merchandise sold and operating expenses	158,562,535	151,762,469	142,736,506	119,952,762	105,198,850
OTHER DEDUCTIONS (net)	16,898,289	12,220,848	11,467,947	10,603,145	6,576,115
	313,773	22,980	32,521	(89,311)	135,600
	16,584,516	12,197,868	11,435,426	10,692,456	6,440,515
DEDUCT:					
Interest paid less interest earned	103,563	110,480	170,468	69,786	37,139
Allowance for depreciation and amortization	1,669,884	1,681,043	1,581,235	1,405,277	1,335,165
Provision for federal income taxes	2,197,000	2,114,000	2,096,500	2,506,000	1,407,000
Provision for federal excess profits taxes	8,522,000	4,482,000	3,825,000	1,400,000	119,000
Provision for taxes or other contingencies	—	—	—	865,000	—
NET INCOME	\$ 4,092,069	\$ 3,810,345	\$ 3,762,223	\$ 4,446,393	\$ 3,542,211

COMPARATIVE CONSOLIDATED SURPLUS ACCOUNTS

FISCAL YEAR

(Which ends January 31 of subsequent calendar year)

	1944	1943	1942	1941	1940
SURPLUS—BEGINNING OF YEAR	\$23,972,232	\$22,175,813	\$20,427,516	\$18,708,661	\$17,146,128
ADD:					
Net income for year as above	4,092,069	3,810,345	3,762,223	4,446,393	3,542,211
Unused provision for 1937 reorganization expenses	—	—	—	—	34,247
	28,064,301	25,986,158	24,189,739	23,155,054	20,722,586
DEDUCT:					
Preferred dividends	348,830	348,830	348,830	348,830	348,830
Common dividends	1,665,096	1,665,096	1,665,096	2,378,708	1,665,095
SURPLUS—END OF YEAR	\$26,050,375	\$23,972,232	\$22,175,813	\$20,427,516	\$18,708,661

COMPARATIVE CONSOLIDATED BALANCE SHEETS

AT END OF FISCAL YEAR
(January 31 of subsequent calendar year)

	1944	1943	1942	1941	1940
ASSETS:					
Cash	\$17,028,996	\$11,490,309	\$11,154,181	\$ 8,873,834	\$ 8,716,863
United States Government Securities	297,106	199,424	159,213	49,950	—
Accounts receivable	796,430	517,411	305,138	308,677	235,146
Merchandise inventories	21,707,697	24,132,446	21,675,697	25,482,342	17,782,398
TOTAL CURRENT ASSETS	39,830,229	36,339,590	33,294,229	34,714,803	26,734,407
Cash surrender value of life insurance	1,783,598	1,692,036	1,595,834	1,494,281	1,390,770
Refundable portion (post-war) of excess profits tax— estimated	1,854,000	923,000	425,000	—	—
Advances and security with landlords	286,818	312,733	365,090	428,543	464,869
Miscellaneous investments, employees accounts receivable, etc. (net)	88,371	107,188	247,882	711,341	479,356
Land and buildings, depreciated	9,574,268	8,105,514	7,878,586	7,950,669	7,136,998
Furniture and fixtures, depreciated	3,788,949	4,564,650	4,776,590	3,860,823	3,406,298
Alterations and improvements (net)	5,327,659	5,833,000	6,396,372	6,336,767	6,134,145
Deferred charges	1,757,381	2,089,540	2,002,331	1,823,480	1,356,980
TOTAL ASSETS	\$64,291,273	\$59,967,251	\$56,981,914	\$57,320,707	\$47,103,823
LIABILITIES AND CAPITAL:					
Accounts payable	\$ 9,550,355	\$ 8,655,847	\$ 7,763,007	\$ 7,225,402	\$ 4,216,350
Dividends payable	—	—	—	713,612	—
Real estate bonds and mortgages payable—current	157,333	145,289	348,515	138,167	171,900
Accrued accounts	1,716,123	1,329,048	1,137,802	913,881	958,373
Federal taxes on income—estimated (after deduction for 1941 and subsequent years of U. S. Tax Notes)	1,047,731	1,520,000	1,595,530	2,946,416	1,517,063
TOTAL CURRENT LIABILITIES	12,471,542	11,650,184	10,844,854	11,937,478	6,863,686
Real estate bonds and mortgages payable—deferred	6,003,551	4,783,870	4,530,184	4,889,898	2,367,275
Tenants deposits under leases	34,199	31,265	26,715	22,140	16,840
Reserve for repainting stores	408,663	324,638	300,767	265,630	252,196
Reserve for taxes or other contingencies	369,903	267,429	183,471	865,000	—
Reserve for flood losses	82,835	67,418	49,885	42,750	24,750
Capital stock:					
Preferred—5% cumulative \$20 par value	6,976,665	6,976,675	6,976,685	6,976,755	6,976,875
Common—\$10 par value	11,893,540	11,893,540	11,893,540	11,893,540	11,893,540
Surplus	26,050,375	23,972,232	22,175,813	20,427,516	18,708,661
TOTAL LIABILITIES AND CAPITAL	\$64,291,273	\$59,967,251	\$56,981,914	\$57,320,707	\$47,103,823



490 GRANT STORES

ALABAMA (6)

Anniston
Birmingham
Decatur
Gadsden
Huntsville
Mobile

ARKANSAS (1)

Pine Bluff

CALIFORNIA (10)

Berkeley
Fresno
Huntington Park
Los Angeles (2)
Oakland
Sacramento
San Jose
Santa Barbara
Santa Monica

COLORADO (1)

Denver

CONNECTICUT (26)

Bridgeport (2)
Danbury
Danielson
Derby
Greenwich
Hartford
Manchester
Meriden
Middletown
Milford
New Britain
New Haven
New London
New Milford
Putnam
Rockville
Southington
Stamford
Thomaston
Thompsonville
Torrington
Wallingford
Waterbury
Williamantic
Winsted

DELAWARE (3)

Dover
Milford
Wilmington

FLORIDA (6)

Jacksonville
Lakeland
Miami
Orlando
Tampa (2)

GEORGIA (7)

Albany
Atlanta
Augusta
Brunswick
Macon
Savannah
Valdosta

ILLINOIS (16)

Alton
Aurora
Belleville
Chicago (3)
Decatur
East St. Louis
Elgin
Galesburg
Jacksonville
Joliet
Peoria
Quincy
Rockford
Springfield

INDIANA (9)

Evansville
Fort Wayne
Gary
Hammond
Indianapolis
Michigan City
New Albany
Newcastle
South Bend

IOWA (4)

Clinton
Davenport
Ottumwa
Waterloo

KANSAS (4)

Hutchinson
Pittsburg
Topeka
Wichita

KENTUCKY (2)

Louisville
Paducah

LOUISIANA (5)

Alexandria
Baton Rouge
Monroe
New Orleans
Shreveport

MAINE (12)

Bangor
Bath
Brunswick
Calais
Fort Kent
Gardiner
Lewiston
Old Town
Portland
Sanford
Skowhegan
Van Buren

MARYLAND (4)

Baltimore
Cambridge
Crisfield
Hagerstown

MASSACHUSETTS (72)

Adams
Arlington
Athol
Beverly
Boston (12)
Brockton
Cambridge
Chelsea
Chicopee
Clinton
Danvers
Easthampton
Everett
Fall River
Fitchburg
Framingham
Franklin
Gardner
Gloucester
Great Barrington
Haverhill
Holyoke
Hudson
Hyannis
Lawrence
Leominster
Lynn (2)
Malden
Marlboro
Medford
Melrose
Middleboro
Milford
Natick
Needham
New Bedford (2)
Norfolk Downs
North Adams
North Attleboro
Norwood
Palmer
Peabody
Pittsfield
Plymouth
Reading

Rockland
Salem
Somerville
Stoneham
Taunton
Wakefield
Waltham
Ware
Watertown
Webster
Westfield
Weymouth
Woburn
Worcester

MICHIGAN (9)

Detroit (2)
Grand Rapids
Hamtramck
Kalamazoo
Lansing
Muskegon
Saginaw
St. Joseph

MINNESOTA (4)

Minneapolis
Rochester
St. Paul
Winona

MISSISSIPPI (1)

Jackson

MISSOURI (4)

Kansas City
St. Joseph
St. Louis
Springfield

NEBRASKA (2)

Lincoln
Omaha

NEW HAMPSHIRE (8)

Berlin
Concord
Derry
Dover
Manchester
Nashua
Portsmouth
Rochester

NEW JERSEY (27)

Bayonne
Bloomfield
Bridgeton
Burlington
Camden
Collingswood
Dover
Hackensack
Hoboken
Jersey City (3)

IN 39 STATES



Millville
Mount Holly
Newark (2)
New Brunswick
Passaic
Paterson
Plainfield
Rahway
Riverside
Somerville
Trenton
Union City
Vineland
West New York

NEW YORK (86)

Albany
Amsterdam
Batavia
Bath
Bay Shore, L. I.
Beacon
Binghamton
Buffalo (8)
Canandaigua
Carthage
Catskill
Corning
Cortland
Dansville
Elmira
Freeport, L. I.
Geneva
Glen Cove, L. I.
Glens Falls
Gouverneur
Great Neck, L. I.
Hempstead, L. I.
Herkimer
Hudson Falls
Huntington, L. I.
Ilion
Jamestown
Johnstown
Kenmore
Kingston
Lackawanna
Lockport
Lynbrook, L. I.
Mechanicville
Medina
Middletown
New York
Bronx (4)
Brooklyn (2)
Manhattan (4)
Queens (4)
New Rochelle
Niagara Falls
Norwich
Olean
Oneida
Oneonta
Oyster Bay, L. I.
Patchogue, L. I.
Penn Yan
Port Chester

Port Jervis
Poughkeepsie
Riverhead, L. I.
Rochester
Rockville Center, L. I.
Rome
Schenectady
Seneca Falls
Syracuse (2)
Tonawanda
Troy
Utica
Watertown
Warsaw
Westfield
Wellsville
White Plains
Yonkers

NORTH CAROLINA (10)

Charlotte
Concord
Elizabeth City
Goldsboro
Greensboro
Greenville
Hickory
Kannapolis
Kinston
Raleigh

NORTH DAKOTA (1)

Fargo

OHIO (26)

Akron
Barberton
Bellaire
Bellevue
Cambridge
Canton
Circleville
Cleveland
Columbus
Conneaut
Dayton
Delphos
East Liverpool
Elyria
Kent
Lima
Mansfield
Marion
Middletown
New Philadelphia
Newark
Norwalk
Portsmouth
Steubenville
Toledo
Youngstown

OKLAHOMA (2)

Muskogee
Oklahoma City

PENNSYLVANIA (63)

Altoona
Bangor

Beaver Falls
Berwick
Blairsville
Bloomsburg
Butler
Carlisle
Chambersburg
Columbia
Conshohocken
Danville
Elizabethtown
Ellwood City
Erie
Freeland
Greenville
Hazleton
Homestead
Honesdale
Huntingdon
Jeannette
Johnstown
Lancaster
Lock Haven
McKeesport
Mahanoy City
Middletown
Milton
Mount Pleasant
New Kensington
Norristown
Oil City
Palmerton
Philadelphia (4)
Phillipsburg
Phoenixville
Pittston
Pittsburgh (2)
Pottstown
Pottsville
Reading
Sayre
Scranton
Shamokin
Shippensburg
Sunbury
Tarentum
Titusville
Towanda
Uniontown
Upper Darby
Washington
Waynesboro
West Chester
Wilkinsburg
Williamsport
Windber
York

RHODE ISLAND (5)

Newport
Pawtucket
Providence
West Warwick
Woonsocket

SOUTH CAROLINA (3)

Charleston
Columbia
Greenville

TENNESSEE (5)

Bristol
Chattanooga
Kingsport
Memphis
Nashville

TEXAS (13)

Abilene
Beaumont
Brownsville
Corpus Christi
Dallas
El Paso
Fort Worth
Galveston
Houston
Port Arthur
San Antonio
Waco
Wichita Falls

UTAH (2)

Ogden
Salt Lake City

VERMONT (5)

Bennington
Burlington
Newport
St. Johnsbury
Springfield

VIRGINIA (13)

Charlottesville
Clifton Forge
Danville
Fredericksburg
Norfolk
Harrisonburg
Hopewell
Lynchburg
Newport News
Petersburg
Portsmouth
Richmond
Roanoke

WEST VIRGINIA (6)

Beckley
Clarksburg
Elkins
Huntington
Parkersburg
Weston

WISCONSIN (7)

Fond du Lac
Green Bay
Madison
Milwaukee (2)
Oshkosh
Sheboygan

